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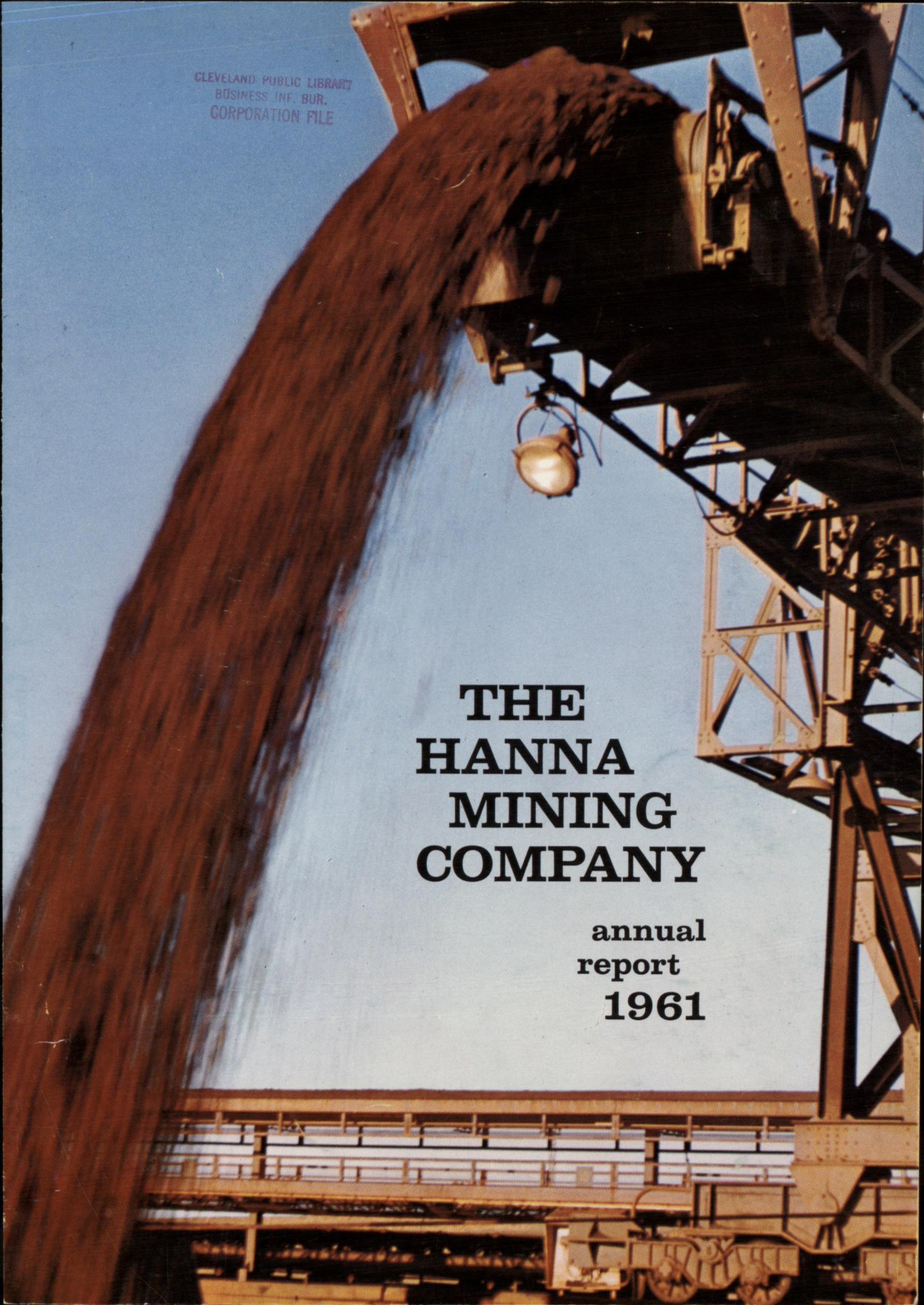


THE HANNA MINING COMPANY

annual report 1961

COVER:

Iron ore from the Quebec-Labrador fields streams into the hold of a ship at the world's fastest iron ore loading dock. Vessels can be loaded at Sept Iles at the rate of 8000 gross tons an hour.

The Hanna Mining Company

1300 Leader Building
Cleveland, Ohio

Directors

Herbert Hoover, Jr.
G. W. Humphrey
George H. Love
W. A. Marting
W. H. Moore
N. W. Pearson
H. L. Pierce
J. H. Thompson
R. W. Whitney

Executive Committee

G. W. Humphrey
George H. Love
W. A. Marting
J. H. Thompson

Officers

J. H. Thompson, *Chairman of the Board*
G. W. Humphrey, *Chairman of the Executive Committee*
W. A. Marting, *President*
R. W. Whitney, *Executive Vice President*
E. S. Mollard, *Vice President, Mining Operations*
D. N. Vedensky, *Vice President, Research*
L. W. Spang, *Secretary*
R. E. Beal, *Treasurer*

Registrar and Transfer Agent: The NATIONAL CITY BANK of CLEVELAND, Cleveland, Ohio

Expansion of the Groveland plant is now under way. The new beneficiation facilities will be in the main concentrating building and the 1,500,000 ton-per-year pellet plant will be located in the left foreground. The open pit mine can be seen at the upper center of the photograph.

Financial Summary

	1961	1960	1959	1958
Net Income from Operations . . .	$ 13,472,795	$14,747,030	$11,361,250	$13,393,225
Dividend Income	$ 4,280,802	$ 4,190,054	$ 3,146,937	$ 1,460,417
Depreciation, Depletion and Development	$ 4,033,303	$ 5,066,681	$ 4,446,288	$ 2,412,064
Net Income After Taxes	**$ 9,867,745**	**$10,107,403**	**$ 7,751,730**	**$ 8,090,327**
Net Income per Share	$6.90	$7.07	$5.42	$5.66
Dividends per Share	$1.60	$1.60	$1.60	$1.40
Working Capital, at year-end . . .	$ 35,431,210	$24,653,582	$13,653,128	$11,212,579
Stockholders' Equity	$105,798,067	$96,306,001	$88,486,862	$83,023,396
Book Value per Share	$73.98	$67.34	$61.87	$58.05
Shares Outstanding	1,430,165	1,430,165	1,430,165	1,430,165

To the Stockholders of The Hanna Mining Company

Our 1961 net income was $9,867,745, equal to $6.90 per share of common stock, in a year when the total tonnage of iron ore shipped to U. S. furnaces was down 17 percent. Net income in 1960 was $10,107,403, or $7.07 per share.

Late in the year the corporate realignment, begun three years before, was completed with our acquisition of The M. A. Hanna Company's iron ore mining, shipping and dock management business, including the operation of our own mines and nickel smelter and the management of all sales activities. Hanna Mining, which became an independent corporation in 1958, is now an integrated company with its own management, sales, engineering, research, exploration and financial personnel. Virtually all the people employed by M. A. Hanna in these capacities were transferred to Hanna Mining employ.

In connection with the corporate realignment, we sold our stock interest in The M. A. Hanna Company — 740,000 shares of common stock — to the public for a gross realization of approximately $23,000,000 after taxes, on which we made a profit after taxes of $1,912,000. In accordance with our policy, this profit was not included in net income for the year but was carried directly to surplus. Of the $23,000,000, approximately $20,000,000 was used to purchase from The M. A. Hanna Company its holdings in Iron Ore Company of Canada, consisting of 333,333⅓ shares of capital stock and $6,099,000 of subordinated debentures; contracts and other items relating to the mining and shipping management business of M. A. Hanna, and other miscellaneous assets. The balance of $3,000,000 was added to working capital to provide funds for the purchase of 100,000 shares of the additional issue of Iron Ore Company of Canada stock. This purchase was made on February 1, 1962, and hence is not reflected in our year-end statements.

With the acquisition late in the year of The M. A. Hanna Company's management business, we assumed operating responsibility for iron ore mines and vessels owned by Hanna Mining, by affiliated companies and by National Steel Corporation. This includes joint management responsibility for Iron Ore Company of Canada. While we report on these activities for all of 1961, we had these responsibilities for only the last two months of the year.

Mining

In 1961 Hanna handled **20.6 million tons** of iron ore, as compared to **23.3 million tons** in 1960. Of this amount, 10.8 million tons were shipped from Hanna-operated mines in the United States; 7.4 million tons were shipped from Iron Ore Company of Canada; 1.2 million tons originated from other foreign sources, and 1.2 million tons of Lake Superior District ore were purchased and traded with other companies in order to provide our customers with certain grades and types of ore.

During 1961 there were **27 operating iron ore mining properties,** of which 17 were owned in full or in part by Hanna Mining. Twenty-two of the mines are open pit: 13 in Minnesota, one in Michigan, one at Moose Mountain, Ont., six at Schefferville in the Quebec-Labrador fields, and one in Brazil. Five are underground mines: four in Michigan and one in Missouri.

Shipping

Hanna-operated vessels on the Great Lakes carried **4 million tons** of ore and **662,000 tons** of coal in 1961, as compared with **3.9 million tons** of ore and **621,000 tons** of coal in 1960. Vessels which we operate in the Seaway moved **672,000 tons** of ore, as compared to **414,000 tons** in 1960; on the backhaul these vessels carried **10.3 million bushels** of grain in 1961, as compared to **6.4 million bushels** the year before. From Sept Iles, ocean vessels managed or chartered by Hanna carried **1.1 million tons** of ore to U. S. east coast ports and to Europe. This compares to **2.4 million tons** in 1960.

The Hanna-operated fleet on the Great Lakes consists of 12 American flag vessels. We own three and have an interest in another. The remaining eight, operated for National Steel Corporation, include two new large vessels that joined the Hanna fleet this year, the SS. Leon Falk, Jr., and the SS. Paul H. Carnahan, lakes-type ore carriers converted from ocean tankers. Both the Falk and the Carnahan are 730 feet long and have a capacity of about 23,000 tons of ore.

The SS. Carol Lake and Menihek Lake, Canadian flag vessels of which we are part owners and which we operate in the Seaway, performed well throughout the season, averaging more than 23,000 tons per trip. We have joined with a major grain shipper in the ownership of an ocean tanker now being converted in Scotland for use in the Seaway ore and grain trade. It will have a capacity of 22,000 tons and is scheduled for delivery in the summer of 1962.

The SS. Ruth Lake and Sept Iles, ocean vessels of which we are part owners, spent most of 1961 on charter, carrying ore from the west coast of South America to Japan.

Docks

We operate for others ore unloading docks at Cleveland and Ashtabula, Ohio, and at Philadelphia, and coal loading facilities at Ashtabula and Sandusky, Ohio. In 1961 these docks handled **11.7 million tons of ore** and **5.1 million tons of coal,** as compared to **15.1 million tons of ore** and **6.2 million tons of coal** in 1960.

Ore loading docks are operated at Sept Iles as part of the Iron Ore Company of Canada project and at Depot Harbor on Georgian Bay in connection with the Moose Mountain beneficiation plant. An Iron Ore Company of Canada unloading dock on the St. Lawrence River at Contrecoeur, Que., handles iron ore and miscellaneous bulk commodities. In addition, we have a half interest in a large, modern ore unloading dock at Rotterdam.

* * *

Today the iron ore industry is extremely competitive. Many new sources of high grade iron ore have been discovered around the world and many new facilities have been constructed in this country for the production of high grade pellets. This has resulted in a much larger supply of ore than is presently required by the steel industries of the world. Steel producers are no longer dependent on ore from limited geographical areas. They can select their furnace feeds from a variety of high grade materials, either pellets or natural ores. Thus the iron ore industry in the next few years will continue to be extremely competitive, both here and abroad.

The price of iron ore in this country has remained constant since 1957 in spite of the fact that each year our costs have increased, primarily as a result of annual wage increases under the terms of our contracts with the labor unions. In January there was an 80-cent-per-ton reduction in the price of Lake Superior District natural ores. This reduction will have an adverse effect on our earnings and has necessitated an extensive reappraisal of all of our mining operations in the Lake Superior region.

As a result of the steel industry's demands for increasingly higher grade iron ores over the past 10 years, the character of the ore mining industry has undergone revolutionary changes. Traditionally the blast furnaces of American industry have operated with natural ores, or those requiring simple treatment, most of which have originated in the Lake Superior region.

Today the demand for high grade furnace feeds has placed the emphasis on iron ore concentrates and pellets with iron content exceeding 60 percent, and on natural ores of similar quality. These high grade concentrates and pellets are produced in extremely complex beneficiation and pelletizing plants which involve large capital investments.

To help satisfy our customers' requirements for this high grade material, we built the Groveland beneficiating plant, which is now being doubled in capacity, and through Iron Ore Company of Canada are participating in the construction of the large beneficiating plant nearing completion in Labrador. Pelletizing plants will be completed at both locations next year. In Brazil we have an interest in St. John d'el Rey Mining Company, which owns extensive reserves of natural ore that compares

Morton Mine, at Hibbing, is one of the 13 Hanna Mining-managed open pit mines in Minnesota.

in grade with the best concentrates produced. In addition, the major emphasis of our research and exploration activities is on the expansion and improvement of our production of higher grade materials for the steel industry.

Domestic Sources

Hanna Mining Iron Ore Sales For Its Own Account — tons

	1961	1960	1959	1958
Company Production	2,695,640	2,604,463	1,956,862	1,969,803
Purchased from Affiliates	1,614,775	2,054,938	1,392,846	1,531,993
Total	4,310,415	4,659,401	3,349,708	3,501,796

Some additional tonnage was purchased and traded with other companies to provide our customers with certain grades or types of ore.

Virtually all the ore produced from Hanna mines in the United States, or purchased from affiliated companies, was sold to customers here and in Canada.

The company production of nearly 2.7 million tons from mines in Michigan, Minnesota and Missouri was the greatest since 1957. The bulk of the increase of company-produced tonnage over the past two years reflects the production of the Groveland beneficiation plant, which went into operation late in 1959 and in 1961 produced about 5 percent more than its designed capacity.

This beneficiation plant is now being expanded from a capacity of 700,000 tons to 1,500,000 tons annually and to it is being added a plant for the production of 1,500,000 tons of pellets a year. This program is scheduled for completion by the spring of 1963 at a cost of approximately $17,000,000, all of which will come from working capital. Groveland will then produce the first partially-fluxed iron ore pellets for sale in the American ore market. Extensive testing of these pellets — which have an iron content of about 61 percent and contain lime and magnesia — has shown that they constitute a superior blast furnace feed.

Operations at other Hanna Mining domestic iron ore properties held at about the same level as the year before. There were no major changes made at these properties and we continued to benefit from modernization and improvement programs carried on in previous years.

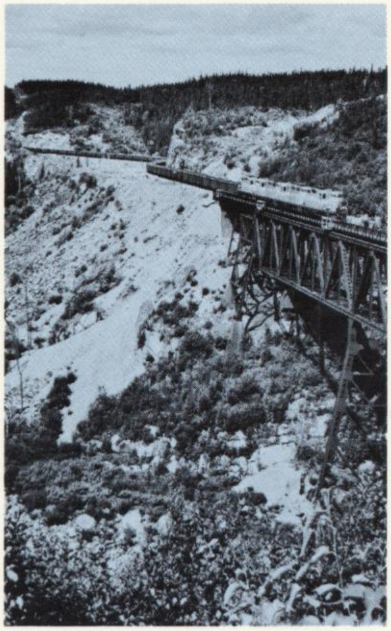
Foreign Sources

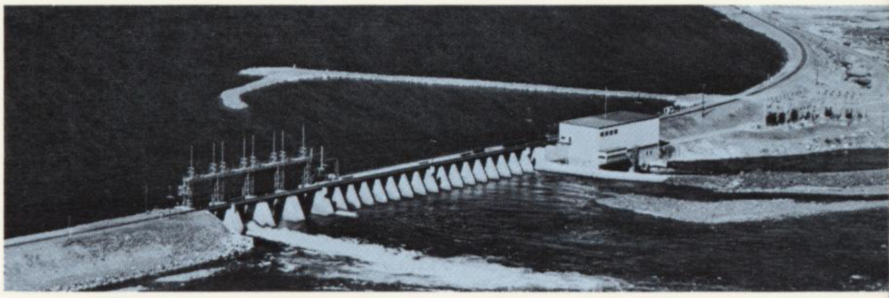
Hanna Mining Iron Ore Sales For Its Own Account — tons

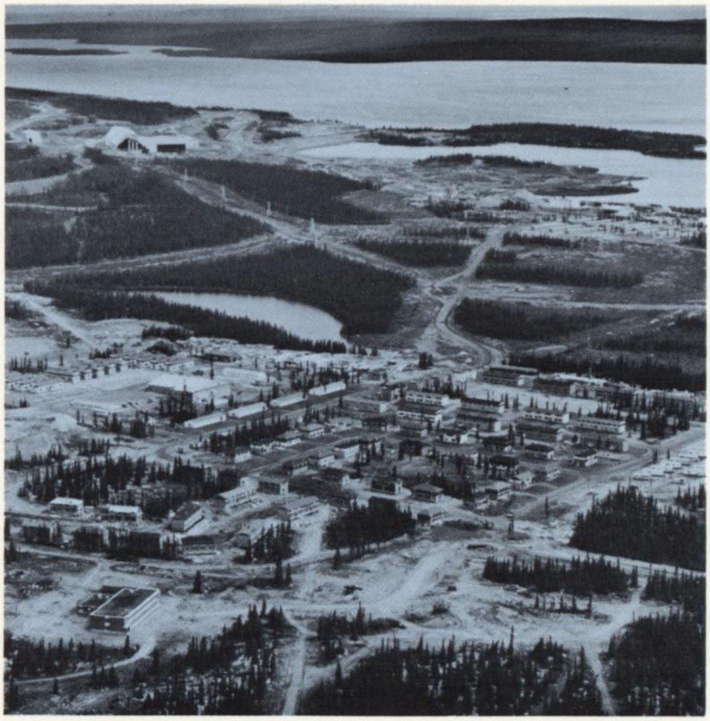
	1961	1960	1959	1958
Purchased from Iron Ore Company of Canada and other Affiliates	2,216,442	2,858,225	2,873,826	2,400,000

Iron Ore Company of Canada — Total shipments from Iron Ore Company of Canada in 1961 were 7.4 million tons, as compared to 9.8 million tons in 1960, a decrease that reflected reduced operations in the steel industry last year. Approximately half of the Hanna Mining ore from I.O.C.C. was shipped to British and European steel company customers.

With the purchase of the M. A. Hanna interest in Iron Ore Company of Canada and the recent stock issue, our interest in I.O.C.C. is 23.7 percent of the stock ownership and our total investment is $40,000,000. This is one of our major assets, not only







Among the basic elements of Iron Ore Company of Canada are open pit mines at the north end, left; the 365-mile railroad, shown above left at the Moisie River bridge; the hydroelectric dam at Menihek Lake, top right; the ore storage and vessel loading facilities at Sept Iles, middle right; and the townsite at Carol Lake, above, with the nearly-completed beneficiation plant visible in the background.

from an investment standpoint but as an important long term source of ore for our customers, both here and abroad.

When the Quebec-Labrador ore fields were opened in 1954, Iron Ore Company of Canada had a sales base to partners of 10 million tons of ore a year. The company's original investment was $258,000,000.

Its initial development involved the construction of docks and storage facilities at Sept Iles, on the Gulf of St. Lawrence, the building of a 365-mile railroad north to the ore deposits, the construction of hydroelectric power facilities, the development of mines and the establishment of all the related facilities necessary for an integrated mining and shipping operation in a wilderness area.

Since 1954, Iron Ore Company of Canada has shipped 75,000,000 tons of ore, its capital stock has been increased by 30 percent, the sales base to partners has been increased to 13 million tons of ore a year, and work has been nearly completed on the Carol Lake project, which will be able to produce 7 million tons of high grade concentrates annually. By the end of 1962, Iron Ore Company of Canada will have more than $500,000,000 spent on its properties.

The Carol Lake project, to cost about $130,000,000, is located west of the railroad at Mile 224. It is proceeding on schedule, with initial production slated for this spring and completion due by year-end. This project has required the development of mines, construction of a 40-mile rail spur, design and construction of the beneficiation plant, the building of another hydroelectric power facility, the establishment of a new town, and other facilities.

With the completion of the Carol Lake beneficiation plant this year, Iron Ore Company of Canada will be capable of producing up to 18.5 million tons of ore a year, including the 7 million tons of concentrates. This ore can be economically shipped to a large portion of the world's iron ore market — it can be moved to Europe, to the east coast of the United States, and through the protected waters of the St. Lawrence Seaway to the Great Lakes region, where the heart of America's steelmaking capacity is located.

To date, all profits from the operation of Iron Ore Company of Canada have been reinvested in the business or applied to debt reduction. The earnings reinvested through 1961, plus the increase in the capital stock early in 1962, have furnished sufficient funds to complete the Carol Lake project.

In 1961 the ore-purchasing partners of I.O.C.C. announced plans to form a new company to construct at Carol Lake a pelletizing plant having an annual capacity of 5.5 million tons of pellets. This will be completed in 1963 and will cost approximately $70,000,000. About 80 percent of the cost of the plant will be financed by long term borrowings by the new company. The pellets, which will rank with the highest grade pellets produced, will contain about 65 percent iron and about 4 percent silica, an excellent iron-to-silica ratio. We have subscribed to 11.6 percent of the common stock of the new company and our share of the pellet production will be 625,000 tons annually.

The pellet plants at Groveland and Carol Lake will have a combined production capacity of approximately 7 million tons annually, of which we will have approximately 2 million tons for sale to our customers.

St. John d'el Rey Mining Company — In Brazil, St. John d'el Rey, in which we and our associates hold controlling interest, has extensive reserves of extremely high grade ore near Belo Horizonte. Development of the Mutuca II ore body continued in 1961 and about 50,000 tons of open hearth lump ore were shipped to several American steel companies for production trials. This ore was very well received and so far in 1962 we have shipped about 60,000 tons from the property.

Plans for 1962 include the installation of an intermediate scale mining facility and the purchase of equipment capable of exporting up to 700,000 tons of ore annually via the Central do Brasil Railway and the Port of Rio de Janeiro. This small scale mining program will enable St. John to maintain its organization in Brazil, gain experience in mining operations there and introduce its ore to the steel producers of the world.

During the past year the Brazilian government has been beset by many difficult political problems. As a consequence it has not been in a position to make the revisions in its export policies that are necessary to the establishment of a large scale mining development in Brazil. These changes involve the right to construct loading terminals on tidewater and to make the necessary long-term transportation arrangements. Continued delay in making these revisions will increase the difficulty of marketing Brazilian ore in view of the extremely competitive situation brought about by many other large scale iron ore projects which are going ahead in other countries.

Exploration and Research

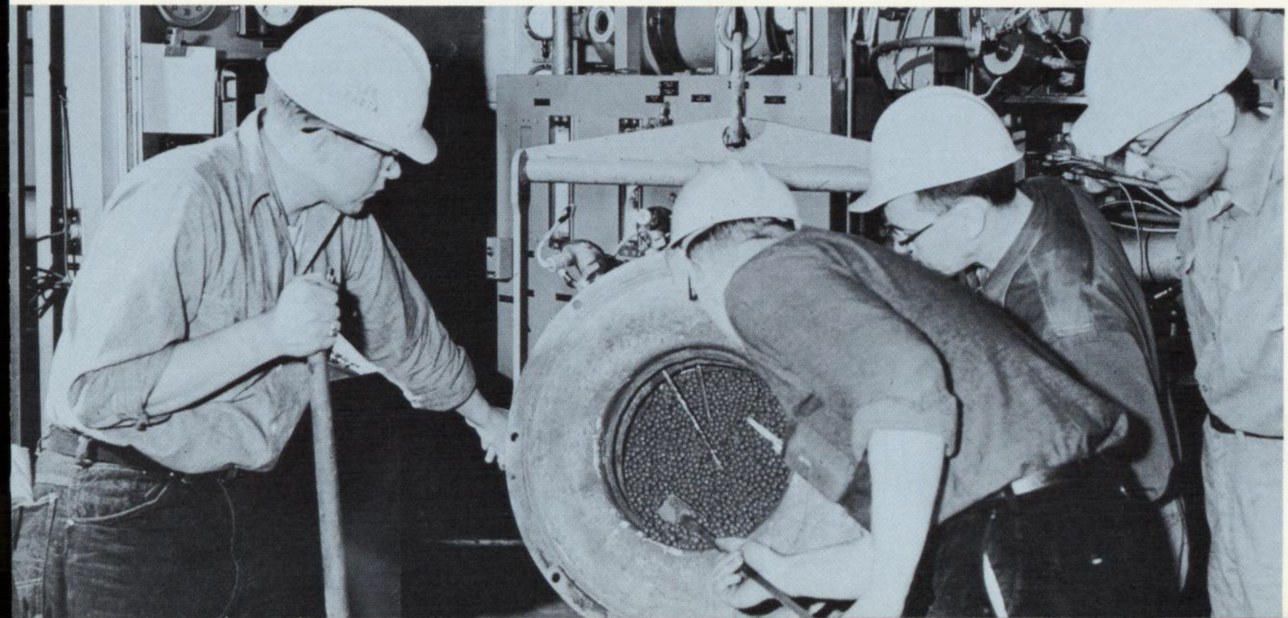
The purpose of our exploration and research activities is three-fold — to extend the lives of our existing properties, to expand and strengthen our position in our various fields through the location of new properties, and to find new types of materials for the development of new areas of business.

Exploration — In 1961 our geologists made continuing studies of our operating properties in this country. Several potential sources of ore for concentrating purposes were examined in Michigan; in Minnesota exploration drilling was conducted on several deposits of semi-taconite and non-magnetic taconite; in Missouri we continued the program of geological and geophysical reconnaissance started several years ago.

The search for new properties with commercial possibilities continued, with major activities centered in the Western Hemisphere.

Exploration is continuing in Guatemala at the nickel-bearing laterite deposit in

New facilities for research on pelletizing have been added at our Hibbing laboratory.



which we have an interest. Metallurgical research is also being carried out.

Studies were made of a nickel laterite deposit in Colombia and field work at the site began early this year.

In Ontario we were active in our search for iron ore prospects of a concentrating grade. We took options on three of these prospects, conducted a drilling program on one and are at present evaluating the results.

Iron ore prospects in British Columbia and Alaska were investigated, but nothing of commercial significance was found.

We acquired from M. A. Hanna its interest in a group, headed by Superior Oil of California, that began drilling for oil and gas in the Gulf of Mexico last year. We took a minor position in another group, also headed by Superior Oil, that began exploration in the Tyonek area, west of Anchorage, Alaska.

Research — With the growing emphasis on high grade ores, our research in recent years has been directed increasingly toward the upgrading of iron-bearing materials and the agglomeration of the concentrates.

In 1961 we added facilities at the Hibbing laboratory for research on pelletizing and completed the flow sheets for the 5.5 million ton pellet plant at Carol Lake and the 1.5 million ton pellet plant at Groveland. Continuing refinements were made in both beneficiation plants.

The new Hibbing facilities will be used in 1962 to study the pelletizing of flotation concentrates produced from non-magnetic, taconite-type ores. Preliminary work has indicated that these materials can be processed into excellent pellets.

Work is proceeding at the semi-taconite pilot plant completed early in 1961 in the Cooley District of the Mesabi Range. These facilities will be used in 1962 to study a variety of materials available in the district for the reduction roasting process.

Encouraging results came from the study of non-magnetic, taconite-type material in a new flotation pilot plant in the Hibbing laboratory. This work will continue through 1962 and economic analysis will be made of both reduction roasting and flotation of high silica Minnesota ores. Similar studies will be made on Michigan iron formations.

Nickel

On April 1, 1961, we began to produce nickel for the commercial market. We conducted an extensive market development program that resulted in sales contracts with major producers of stainless and other alloy steels and facilitated distribution by establishing warehouse stocks in Pittsburgh, Detroit, Chicago and Riddle, Oregon.

The response of the steel industry was very encouraging and we were able to operate the smelter at capacity levels throughout the balance of the year. The smelter produced 20,650,000 pounds of nickel in 1961, the major portion of which was sold commercially, and thus far in 1962 demand is strong.

Development of this nickel operation dates back to 1951 and 1952, when there was a shortage of nickel in the United States. The government, which was then acquiring nickel from foreign sources to meet urgent defense requirements and for its stockpile of strategic material, was vitally interested in developing a domestic source of supply, which did not then exist.

For several years prior to 1952 we had, in cooperation with the Bureau of Mines, carried on an intensive research program to develop a process to produce nickel from our nickel laterite deposit in Oregon. Early in 1952 our research, supplemented by technological developments of a French company, reached a state of readiness for pilot plant testing, which would normally have taken at least two years. The government, however, believed that the need was such that immediate development of a facility for volume production should be risked.

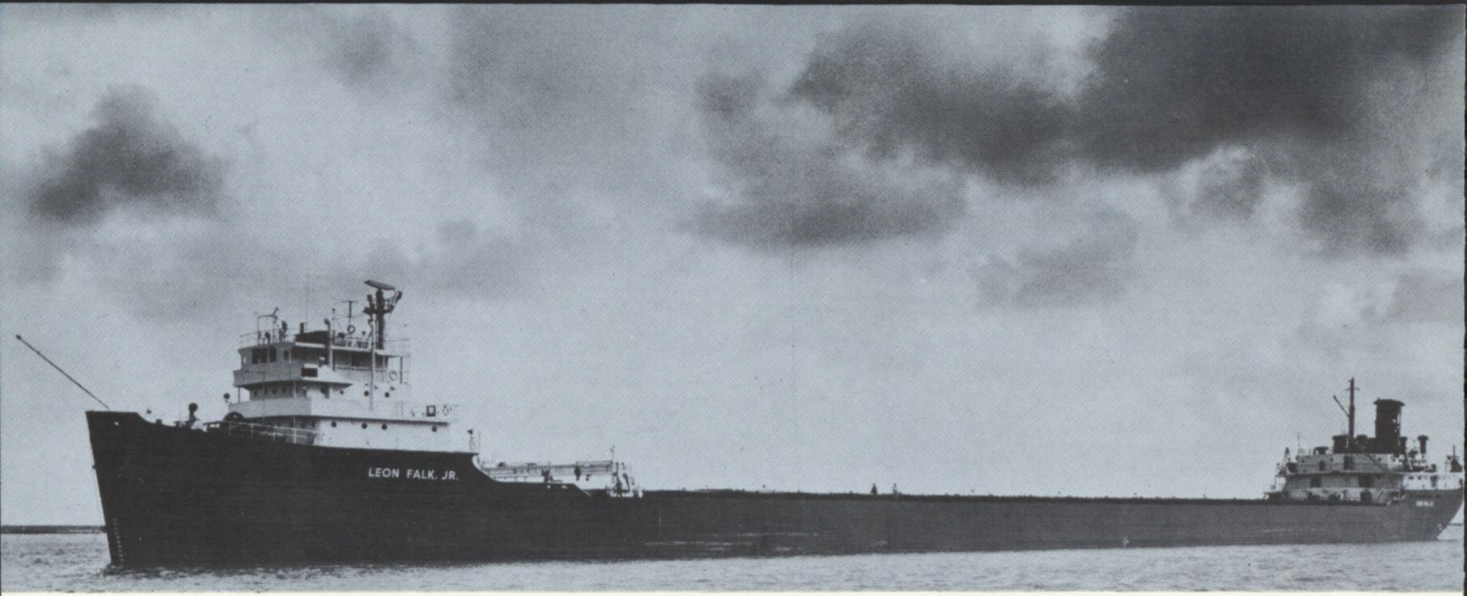
Negotiations conducted during the summer and fall of 1952 resulted in contracts which were signed during the closing days of the Truman Administration. Under these contracts Hanna Mining, at its own cost, financed and developed the mine, and the government financed the construction of a nickel smelter plant and loaned the working capital for the smelter. It agreed to buy as much nickel as could be produced by June 30, 1962, up to a total of 125,000,000 pounds, at specified prices.

Production began in 1954 and by the end of 1957 36,300,000 pounds had been produced. During this period, with nickel in extremely short supply, the government sold 30,300,000 pounds of our production to industry at premium prices, realizing a profit of $4,153,000. By April 1, 1961, we had delivered 105,800,000 pounds of nickel to the government and had repaid in full to the government all loans made for the construction of the smelter plant, plus interest at 5 percent. Shortly thereafter we repaid all working capital advances, also with interest at 5 percent, plus an additional sum of $1,722,000, as provided in the original contract, upon transfer of the facilities. We agreed that the remaining 19,200,000 pounds due under the contract would be delivered by June 30, 1965, at prices not exceeding 58.77 cents per pound.

The following table summarizes the facts relating to our contracts published by the government in, "Report on Borrowing Authority dated December 31, 1961, submitted to the Congress by the General Services Administration pursuant to Section 304 (b) of the Defense Production Act as amended," and, "Audit Report of Comptroller General of The United States dated April, 1961, covering Contracts DMP 49, 50, and 51" (Hanna Contracts):

		Amount	*Per Lb. of Nickel FOB Riddle, Ore.*
Total sales to government to March 25, 1962 (108.0 million pounds of nickel)		$98.2 Million	$ .9094
Less the sum of the following amounts received by the government:			
Received from sales to industry of 30.3 million pounds after deducting $1.3 million for freight and other costs to the government	$34.5 Million		1.136
Received from Hanna on transfer of facilities	1.7 Million		
Received from Hanna as interest on advances of funds	4.8 Million	41.0 Million	
Net price paid for present inventory of 77.7 million pounds of nickel		$57.2 Million	.7370
Remaining to be delivered to the government between March 25, 1962 and June 30, 1965 (17.0 million pounds of nickel)		10.0 Million	.5877
Net price paid by the government, at completion of contract, for 94.7 million pounds of nickel in inventory		$67.2 Million	.7102

The present market price of nickel in the form of ferronickel is 77.5 cents a pound,



The SS. Leon Falk, Jr., an ocean tanker converted for use as an ore carrier, joined the Hanna-operated Great Lakes fleet last summer.

f.o.b. port of entry, and the price of electrolytic nickel is 81.25 cents a pound.

We are pleased that the development of these production facilities, which looked doubtful at the outset, has proved successful for both parties. But we believe that our performance under these contracts has a more far-reaching significance of which we can be justly proud. All funds advanced by the government have been repaid in full, with interest. A substantial amount of nickel was made available to America's defense production during a lengthy period of extreme shortage several years ago. Upon completion of the contract the government will have an inventory of nickel at a price below the present market price, and, most important of all, the nation's defense capabilities have been strengthened by the establishment of the only major domestic source of this vital material.

* * *

In common with the majority of other companies in the country today, we have the problems of cost-price relationship and technological changes that require substantial capital investments to remain competitive. We feel that The Hanna Mining Company is in a strong position to meet these problems as well as to take advantage of new opportunities which may arise. Our properties are in good condition and our organization has been strengthened by the corporate realignment of 1961. Our financial position is strong. Our working capital has been built up over the past several years to the highest level in our history. This has been done to provide for heavy future capital expenditures, some of which are described in this report, and to enable us to take advantage of new opportunities as they occur.

We wish to express our appreciation to the men and women of Hanna for their diligence and loyalty, which have been essential to the development of the company and are vital to our success in the future.

By Order of the Board of Directors,

JOSEPH H. THOMPSON
Chairman of the Board

W. A. MARTING
President

Cleveland, Ohio, March 30, 1962

THE HANNA MINING COMPANY

Consolidated Income and Earnings Used in the Business

INCOME

	YEAR ENDED DECEMBER 31, 1961	1960
Operating income before depreciation, depletion, amortization, and development	$13,472,795	$14,747,030
Dividend income	4,280,802	4,190,054
Interest income—net	921,385	976,234
Sundry income—net	137,566	1,266
	$18,812,548	$19,914,584
Depreciation, depletion, amortization, and development	4,033,303	5,066,681
Income Before Taxes on Income	$14,779,245	$14,847,903
Taxes on income—estimated	4,911,500	4,740,500
Net Income (exclusive of security transactions)	$ 9,867,745	$10,107,403

EARNINGS USED IN THE BUSINESS

	1961	1960
Balance at beginning of year	$72,007,149	$64,188,010
Net income for the year (exclusive of security transactions)	9,867,745	10,107,403
Net gain (after taxes) from sale of common stock of The M. A. Hanna Company	1,912,585	—0—
	$83,787,479	$74,295,413
Cash dividends paid—$1.60 a share	2,288,264	2,288,264
Balance at end of year	$81,499,215	$72,007,149

THE HANNA MINING COMPANY

Consolidated Balance Sheets

ASSETS

	DECEMBER 31,	
	1961	1960
Current Assets		
Cash	$ 1,624,706	$ 1,332,932
U. S. Government and other short-term securities—at cost	44,865,389	23,289,246
Trade and sundry receivables	13,305,245	8,742,318
Inventories—at lower of average cost or market:		
Iron ore	$ 3,515,161	$ 1,860,407
Nickel	1,096,755	—0—
Supplies	1,386,053	656,520
	$ 5,997,969	$ 2,516,927
Total Current Assets	$ 65,793,309	$ 35,881,423
Investments		
Securities of Iron Ore Company of Canada—at cost	$ 36,713,333	$ 21,411,000
Common stock of The M. A. Hanna Company—at cost	—0—	21,146,600
Other investments—at cost or less	13,691,840	13,065,103
	$ 50,405,173	$ 55,622,703
Property, Plant, and Equipment		
Mineral lands, oil leases, plants, vessels, and equipment—at cost	$ 41,546,277	$ 37,285,855
Less allowances for depreciation, depletion, and amortization	23,039,549	19,923,933
	$ 18,506,728	$ 17,361,922
Other Assets and Deferred Charges		
Management contracts, advance royalties, and sundry items	4,005,580	1,176,178
	$138,710,790	$110,042,226

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 1961	DECEMBER 31, 1960
Current Liabilities		
Trade accounts and sundry items	$ 13,074,186	$ 6,928,068
Amount due The M. A. Hanna Company (paid March 1, 1962)	12,778,248	127,704
Accrued items, other than taxes on income	4,509,665	4,172,069
Taxes on income—estimated	2,990,063	2,648,420
U. S. Government securities	(2,990,063)	(2,648,420)
Total Current Liabilities	$ 30,362,099	$ 11,227,841
Reserves		
General contingencies	$ 1,587,178	$ 1,543,126
Other	963,446	965,258
	$ 2,550,624	$ 2,508,384
Stockholders' Equity		
Common Stock, par value $1 a share: Authorized 1,500,000 shares Outstanding 1,430,165 shares	$ 1,430,165	$ 1,430,165
Capital surplus	22,868,687	22,868,687
Earnings used in the business	81,499,215	72,007,149
	$105,798,067	$ 96,306,001
	$138,710,790	$110,042,226

Accountants' Report

Board of Directors
The Hanna Mining Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Hanna Mining Company and its consolidated subsidiaries for the year ended December 31, 1961. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and earnings used in the business present fairly the consolidated financial position of The Hanna Mining Company and its consolidated subsidiaries at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Cleveland, Ohio
March 5, 1962